

STATE BUDGET AND CONTROL BOARD
MEETING OF May 15, 2007

REGULAR SESSION
ITEM NUMBER 5

AGENCY: General Services Division

SUBJECT: Medical University of South Carolina Lease

The Medical University of South Carolina (MUSC) wishes to execute a new lease for their current space at 135 Cannon Street in Charleston. MUSC moved to this space in 2001 after being displaced from the Rutledge Tower when it was converted into clinical space. MUSC occupies 33,555 actual BOMA square feet of office space for their Public Relations, Biostatistics/Epidemiology and Environmental Biosciences programs. The base rent is fixed over the five year term at \$19.42 per square foot. Actual Common Area Maintenance (CAM) expense increases are limited to the lower of three percent per year or the Consumer Price Index. CAM for the first year is \$143,409.34 or \$4.27 per square foot. In addition to the CAM payment, MUSC also pays additional operating costs for electricity and real property taxes presently at \$146,687.08 per year, or \$4.37 per square foot. The rent for the first year including the CAM and additional operating costs is \$941,861.39. Over the five-year term, the rent totals \$3,258,824.85 and the maximum CAM is estimated at \$761,379.67. The lease was approved by JBRC at its May 2, 2007, meeting.

BOARD ACTION REQUESTED:

Approve the proposed five year lease for MUSC at 135 Cannon Street in Charleston with a rent total of \$3,258,824.85 and a maximum actual Common Area Maintenance estimated at \$761,379.67 over the term of the lease.

ATTACHMENTS:

Agenda item worksheet; Lease Summary; SC Code of Laws Section 1-11-55 and 1-11-56


BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: May 15, 2007

Regular Agenda

1. Submitted by:

- (a) Agency: General Services Division
- (b) Authorized Official Signature:


M. Richbourg Roberson, Director

2. Subject: Medical University of South Carolina Lease

3. Summary Background Information:

The Medical University of South Carolina (MUSC) wishes to execute a new lease for their current space at 135 Cannon Street in Charleston. MUSC moved to this space in 2001 after being displaced from the Rutledge Tower when it was converted into clinical space. MUSC occupies 33,555 actual BOMA square feet of office space for their Public Relations, Biostatistics/Epidemiology and Environmental Biosciences programs. The base rent is fixed over the five year term at \$19.42 per square foot. Actual Common Area Maintenance (CAM) expense increases are limited to the lower of three percent per year or the Consumer Price Index. CAM for the first year is \$143,409.34 or \$4.27 per square foot. In addition to the CAM payment, MUSC also pays additional operating costs for electricity and real property taxes presently at \$146,687.08 per year, or \$4.37 per square foot. The rent for the first year including the CAM and additional operating costs is \$941,861.39. Over the five-year term, the rent totals \$3,258,824.85 and the maximum CAM is estimated at \$761,379.67. The lease was approved by JBRC at its May 2, 2007 meeting.

4. What is the Board asked to do? Approve the proposed five year lease for MUSC at 135 Cannon Street in Charleston.

5. What is recommendation of the General Services Division? Approval of the proposed lease.

6. List of Supporting Documents:

- (a) Lease Summary
- (b) SC Code of Laws Section 1-11-55 and 1-11-56

MEDICAL UNIVERSITY OF SOUTH CAROLINA SUMMARY OF LEASE

CURRENT LEASE

MUSC has been leasing space on the 3rd and 4th floors at 135 Cannon Street in Charleston since 2001. The space was built when the Public Relations, Biostatistics/Epidemiology and Environmental Biosciences programs were moved from Rutledge Towers after it was converted to clinical space.

PROPOSED LEASE

Lease Approved by: Lisa Montgomery, MUSC Vice President of Finance and Administration
Bruce Quinlan, CEO of University Medical Associates
Approved by CHE at November 2006 meeting

Adequate Funds: Yes; budget approval form received April 20, 2007

Multi-Year Plan: Yes, included in budget approval form

Up-fit Cost Fair: No up-fit cost

Space Allocation: 160 FTEs / 210 SF per FTE

Environ Hazard: No asbestos, built in 2001

Radon: Average level in Charleston County below EPA level of action

Fair Rate: Proposed lease procured via General Services Division renewal process

Date	Agency/Property	Address	Annual Rate
2001	MUSC	135 Rutledge Ave (Tower)	\$26.50
2004	MUSC	125 Doughty St	\$23.25
2005	College of Charleston	284 King St	\$20.65

Owner: Cannon Street Partners, LLC (John C. L. Darby, President and J. Darryl Renya, Executive Vice President)

Landlord: University Medical Associates of MUSC

Use: 73,457 rental square feet comprised in two building master leases

Use: MUSC – Public Relations, Biostatistics/Bioinformatics/Epidemiology and Environmental Bioscience programs

Location: 135 Cannon Street in Charleston

Size: 33,555 SF

Term: Five years

Source of Funds: General funds within MUSC

Rent Schedule:

Year	Date	Rate / SF	Annual Rent	CAM / SF	Annual CAM
1	1/2007	19.42	651,764.97	4.27	143,409.34
2	1/2008	19.42	651,764.97	4.40	147,711.62
3	1/2009	19.42	651,764.97	4.53	152,142.97
4	1/2010	19.42	651,764.97	4.67	156,707.26
5	1/2011	19.42	651,764.97	4.81	161,408.48
	Total:		\$3,258,824.85		\$761,379.67
	Average:		\$651,764.97	\$4.54	\$152,275.93

The rate of \$19.42 per SF is constant over the five year term. CAM increases are limited to the lesser of CPI or 3%. Electricity and real property taxes are the actual expenses for taxes and electricity and passed through to MUSC as additional operating costs and are not reflected above.

SECTION 1-11-55. Leasing of real property for governmental bodies.

(1) "Governmental body" means a state government department, commission, council, board, bureau, committee, institution, college, university, technical school, legislative body, agency, government corporation, or other establishment or official of the executive, judicial, or legislative branches of this State. Governmental body excludes the General Assembly, Legislative Council, the Office of Legislative Printing, Information and Technology Systems, and all local political subdivisions such as counties, municipalities, school districts, or public service or special purpose districts.

(2) The Budget and Control Board is hereby designated as the single central broker for the leasing of real property for governmental bodies. No governmental body shall enter into any lease agreement or renew any existing lease except in accordance with the provisions of this section.

(3) When any governmental body needs to acquire real property for its operations or any part thereof and state-owned property is not available, it shall notify the Office of General Services of its requirement on rental request forms prepared by the office. Such forms shall indicate the amount and location of space desired, the purpose for which it shall be used, the proposed date of occupancy and such other information as General Services may require. Upon receipt of any such request, General Services shall conduct an investigation of available rental space which would adequately meet the governmental body's requirements, including specific locations which may be suggested and preferred by the governmental body concerned. When suitable space has been located which the governmental body and the office agree meets necessary requirements and standards for state leasing as prescribed in procedures of the board as provided for in subsection (5) of this section, General Services shall give its written approval to the governmental body to enter into a lease agreement. All proposed lease renewals shall be submitted to General Services by the time specified by General Services.

(4) The board shall adopt procedures to be used for governmental bodies to apply for rental space, for acquiring leased space, and for leasing state-owned space to nonstate lessees.

(5) Any participant in a property transaction proposed to be entered who maintains that a procedure provided for in this section has not been properly followed, may request review of the transaction by the Director of the Office of General Services or his designee.

SECTION 1-11-56. Program to manage leasing; procedures.

The State Budget and Control Board, in an effort to ensure that funds authorized and appropriated for rent are used in the most efficient manner, is directed to develop a program to manage the leasing of all public and private space of state agencies. The board's regulations, upon General Assembly approval, shall include procedures for:

(1) assessing and evaluating agency needs, including the authority to require agency justification for any request to lease public or private space;

(2) establishing standards for the quality and quantity of space to be leased by a requesting agency;

(3) devising and requiring the use of a standard lease form (approved by the Attorney General) with provisions which assert and protect the state's prerogatives including, but not limited to, a right of cancellation in the event of:

(a) a nonappropriation for the renting agency,

(b) a dissolution of the agency, and

(c) the availability of public space in substitution for private space being leased by the agency;

(4) rejecting an agency's request for additional space or space at a specific location, or both;

(5) directing agencies to be located in public space, when available, before private space can be leased;

(6) requiring the agency to submit a multi-year financial plan for review by the board's budget office with copies sent to Ways and Means Committee and Senate Finance Committee, before any new lease for space is entered into; and requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period; and

(7) requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period.